



William P. Hunt, III
Vice President, Public Policy

TEL: (720) 888-2516
FAX: (720) 888-5134
Bill.Hunt@Level3.com

February 21, 2006

VIA ELECTRONIC AND U.S. MAIL

Susan Hudson
CLERK OF THE BOARD
Vermont Public Service Board
112 State Street, 4th Floor
Montpelier, VT 05620-2701

Re: Letter in Support by Level 3 Communications LLC for Proposed Public Service Board Rule 7.500

Dear Ms. Hudson:

Level 3 Communications submits this letter in support of Proposed Public Service Board Rule 7.500 and requests that the Board accept this late-filed letter into the rulemaking proceeding.

Level 3 is an international provider of communications and information services. The company operates a 23,000 mile fiber optic network and provides services in Vermont pursuant to a Certificate of Public Good to Operate as a Local and Long Distance Provider issued on May 28, 1999 in Docket No. 6195.

Prior to the introduction of competition in the regulated telecommunications market, the public service statutes and regulatory requirements that were put in place in the early part of the 20th Century were needed to protect ratepayers and consumers of monopoly services. These protections were designed to enable regulators to safeguard captive ratepayers from risky financial transactions and to ensure that rates and quality of service were not impaired. In this context, government regulation took the place of competitive market forces, limiting the exercise of market power by dominant providers, ensuring the continued availability of affordable and reliable services and fostering the deployment of new services and infrastructure by the dominant providers.

But in today's dynamic competitive market, the public interest does not require strict scrutiny of the business and financial operations of non-dominant carriers. While appropriate for the pre-competition telecommunications market, burdensome pre-approval requirements for business transactions have become anachronisms in today's competitive environment where new entrants raise risk capital to build and finance their operations with no guaranteed return.

Competitive carriers are not subject to rate regulation because they do not possess market power or control over local exchange bottleneck facilities. As such, non-dominant carriers bear the risks of their own financial decisions and market forces determine whether a carrier is financially stable rather than the government. From the consumer's perspective, adequate service at reasonable rates will remain available by virtue of the number of providers and technologies from which consumers can freely choose.

Today's reality is that burdensome prior approval requirements unnecessarily expose businesses to substantial and unnecessary risks in the marketplace, with negative consequences for consumers. The varying amount of time that each state requires to process applications can range from one day to six months or more. During that period, the parties to any transaction are exposed to economic risks of delay including lost revenue and synergies, customer defections, impaired service, or even the collapse of the transaction. In addition, Level 3 questions whether the time spent by state commissions reviewing non-dominant transactions merits the allocation scarce governmental resources.

Not only are non-dominant carriers pressed to complete commercial transactions on an accelerated timeframe in today's rapidly moving telecommunications market, they face increasing competition for customers and financing from Enhanced Service Providers. Due to the growth of IP technologies, we are witnessing a revolution in how services are provided. It is increasingly the case that customers no longer receive a complete services package from a regulated monopoly, but instead from VoIP providers who have the retail relationship with the customer but then upon components provided by a number of different companies.

In today's environment, the regulatory requirements and obligations vary based on the technology used to provide the service. While Local Exchange Carriers face a national patchwork quilt of regulatory requirements for financings and transfer of controls, wireless and satellite providers must deal only with federal regulations. Another example of the disparity in treatment deals with Enhanced Service Providers who are free to raise capital or merge with another Enhanced Service Provider without suffering the delays and costs of government approvals. And, as part of that transaction, the Enhanced Service Provider may very well pledge its assets or guaranty the debt of a parent or affiliate. Yet when non-dominant local exchange carriers raise funds to expand its network to compete with the Enhanced Service Provider or to provide services to Enhanced Service Providers, the non-dominant carrier must seek approvals from the state regulatory authority if it wants to pledge its network to secure the loan.

Level 3 believes that Proposed Public Service Board 7.500 strikes the appropriate balance between protecting consumers and ratepayers of dominant providers while recognizing the changes brought by competition. This proposed rule reflects the dramatic changes that have taken place in the telecommunications market since these procedures were first developed. Non-dominant carriers operate in a competitive environment and respond to market forces rather than strict government regulation originally intended for monopoly providers. By adopting Proposed Public Service Board Rule 7.500, Vermont joins the foresighted states that are streamlining antiquated requirements without undermining the authority of state regulators to protect the

Susan Hudson
February 21, 2006
Page 3

public interest. Doing so will enhance consumer welfare by allowing carriers, consumers and the state commissions to take full advantage of the efficiencies of today's competitive market.

Please feel free to contact me at 720.888.2516 or at Bill.Hunt@Level3.com if you have any questions or wish to discuss these comments further.

Regards,

A handwritten signature in black ink that reads "Wm. P. Hunt III". The signature is written in a cursive, slightly slanted style.

William P. Hunt III

CC: Hon. James Volz
Hon. David C. Coen
Hon. John D. Burke
Peter Bluhm
Docket Service list via email